THE BORDEN COMPANY • ANNUAL REPORT 1951

THE STORY OF OUR COVER

This year, our cover is a study in contrasts — the *then* and *now* of THE BORDEN COMPANY. When Gail Borden founded his business in an old mill 94 years ago, dairying meant little to the national economy. But, Borden's invention of condensed milk opened men's minds to a new and exciting concept of the milk business. Dairying became an industry and, as it grew, there came into being the challenging field of dairy technology. Milk-borne diseases began to disappear, infant mortality declined, and improved dairy foods contributed to a longer life expectancy. Today, with its scores of manufactured milk products, the dairy industry is the second most important factor in the nation's agriculture. Its traditional leader since 1857, THE BORDEN COMPANY has played a major role in this typically American industry which has contributed much toward the health and well-being of the people of America.

Symbolizing our Company's growth is the old mill at Burrville, Connecticut where BORDEN'S got its start, and our modern dairy plant at New Orleans, Louisiana.

The BORDEN COMPANY

Annual Report

1951

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Board of Directors

Officers

THEODORE G. MONTAGUE, *President*
HAROLD W. COMFORT, *Executive Vice President*
CHARLES A. ECKBURG, *Vice President*
WILLIS H. GURLEY, *Vice President*
CHARLES F. KIESER, *Vice President*
WILLIAM F. LEICESTER, *Vice President*
WILLIAM H. MARCUSSEN, *Vice President*
HARRY A. ROSS, *Vice President*
ROY D. WOOSTER, *Vice President*
EVERETT L. NOETZEL, *Treasurer*
DOUGLAS T. ORTON, *Secretary*
CECIL I. CROUSE, *Assistant Vice President*
JOSEPH O. EASTLACK, *Assistant Vice President*
HAROLD K. KRAMER, *Assistant Vice President*
STUART PEABODY, *Assistant Vice President*
THEODORE O. HOFMAN, *General Controller*
HARRY L. CAMP, *General Auditor and Assistant Treasurer*
A. BROOKS PRAY, *Assistant Treasurer*
LOUIS CSENGE, *Assistant Secretary*
KENNETH J. NEAGLE, *Assistant Secretary*

Corporate Data

EXECUTIVE OFFICES
350 Madison Avenue, New York 17, N. Y.

REGISTERED OFFICE
117 Main Street, Flemington, N. J.

GENERAL COUNSEL
Milbank, Tweed, Hope & Hadley
15 Broad Street, New York 5, N. Y.

AUDITORS
Haskins & Sells
250 Park Avenue, New York 17, N. Y.

REGISTRAR
Bankers Trust Company
16 Wall Street, New York 5, N. Y.

TRANSFER AND DIVIDEND DISBURSING AGENT
The Chase National Bank of the City of New York
11 Broad Street, New York 15, N. Y.

Highlights, Past and Present

	CURRENT		OTHER YEARS		
OPERATING	1951	1950	1949	1939	1929
Sales	$732,056,671	$631,114,120	$613,763,267	$208,789,250	$328,466,989
Payrolls	$122,158,335	$113,004,008	$109,780,054	$ 51,380,063	§
Taxes	$ 28,525,684	$ 24,345,684	$ 20,889,928	$ 6,720,632	$ 4,222,452
Depreciation	$ 11,285,846	$ 10,366,594	$ 9,661,874	$ 6,226,193	$ 7,815,833
Dividends	$ 12,036,366	$ 12,019,910	$ 11,593,320	$ 6,155,386	$ 10,047,637
Net Income	$ 18,080,371	$ 20,147,073	$ 21,890,479	$ 7,979,837	$ 20,403,725
Percent of Sales	2.47%	3.19%	3.57%	3.82%	6.21%
Per Share	$4.20	$4.69	$5.10	$1.81	$5.50
FINANCIAL					
Working Capital	$114,987,211	$101,355,105	$106,653,894	$ 39,203,231	$ 35,265,102
Current Assets : Current Liabilities	3.86 : 1	3.73 : 1	4.01 : 1	3.41 : 1	2.22 : 1
Inventories	$ 73,742,837	$ 54,906,173	$ 48,988,814	$ 17,514,226	$ 26,442,624
Net Property and Equipment	$115,887,834	$109,570,626	$100,205,090	$ 66,813,239	$101,732,211
Borrowed Capital	$ 60,000,000	$ 45,800,000	$ 47,200,000	None	$ 9,948,600
Stockholders' Equity	$172,017,360	$166,269,312	$159,759,940	$100,200,218	$134,609,461
OTHER					
Shares Outstanding	4,300,000	4,300,000	4,291,000	4,396,704	3,706,724
Dividends per Share	$2.80	$2.80	$2.70	$1.40	$3.00
Number of Stockholders	51,479	51,121	52,386	46,889	17,167
Number of Employees	32,475	31,545	31,166	28,099	27,000†

§ Not available. *† Approximate.*

THE PRESIDENT'S REPORT

To Stockholders and Employees

THE YEAR JUST PASSED has been a difficult one for the food industry. In addition to having the problems common to all business, the industry faced special ones of its own. Combined, these problems formed a pattern of which BORDEN'S experience was typical.

The country bought more BORDEN products than ever before, an encouraging endorsement. Heavy buying, which probably exceeded current needs, occurred during the first six months. The sales level of the second half represented a more normal movement from manufacturer to retailer to consumer.

Supplies were not a particularly difficult problem. There were occasional shortages. Equipment, containers and other materials were sometimes lacking, but consumers themselves were aware of few shortages. Farmers were blessed by another year of high production and prosperity; milk production, for example, was almost as large as in 1950, a banner post-war year. There seems little likelihood of any food shortages occurring in 1952.

Offsets to Progress Ample supplies and heavy consumer demand did not, however, assure a good year for the industry. Their effects were offset by inflation, the methods by which the Government imposed its economic controls, and the burdensome taxes needed to finance the Government's defense and non-defense activities, both of which were being carried out at a cost unprecedented except in World War II.

The various economic controls, heralded as a check on inflation, were largely ineffective and inequitable. Ignoring the fundamental causes of inflation, these controls, even for theoretical effectiveness, would require a freeze at every level of our economy. But stringent enforcement of the controls seemed concentrated more at the consumer price level than at the cost level. Wages, taxes and other cost elements crept steadily forward, squeezing profit margins and reducing some to the vanishing point.

The very stability that is normally a source of strength to the food industry becomes its weakness when faced with unrealistic economic controls and high taxes. Escaping the extreme effects of either depression or boom, this industry does not benefit materially from a defense program. There are no great increases in volume to lower its unit costs, and its traditionally narrow margins are vulnerable to rising expenses. When administrators of price controls fail to recognize this situation, and the tax take becomes greater than the profit left to industry, there are bound to be difficulties.

A Gauge of Service Yet the country cannot afford to hamstring an industry that undertakes the tremendous task of getting food from farm to table. Involved are thousands of concerns — some large, some small — all competi-

tive in their respective fields and each field competing with the others for a larger share of consumer favor. A gauge of its service to consumers is the dairy industry's characteristically low profit: it made only 3.0 cents on the sales dollar in 1950, as compared with 7.7 cents for all industry. Competition, large volume at a low margin of profit, and an unwavering drive for efficiency all help America keep a well-supplied table at a low cost.

The responsibility of American business is to supply the country's goods and services at a fair price, to employ people at a fair wage, and to use the savings of thrifty Americans at a fair return. This responsibility has recently been enlarged to include the financing of Government activities as a fourth function. It is questionable whether business, in carrying this increasingly heavy tax burden, can effectively discharge its primary responsibilities.

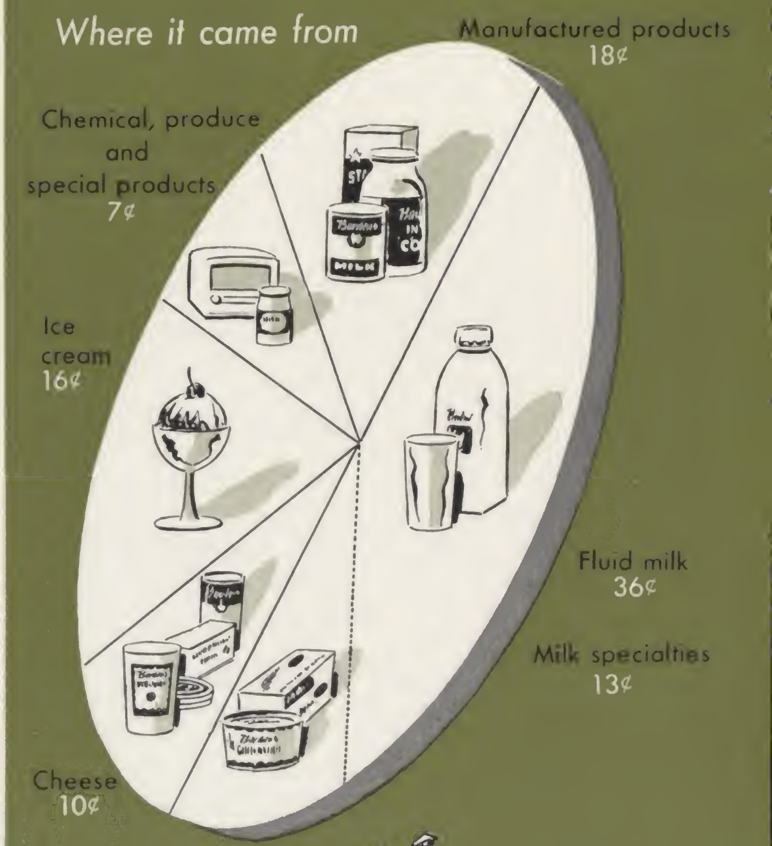
Profits Are Important Profits, and their role in the economy, must be viewed clearly and coldly, with hard thinking and without emotion. When the profit motive is discouraged or repudiated, the national character suffers as the individual loses his incentive to further effort and accomplishment and to provide for his own future.

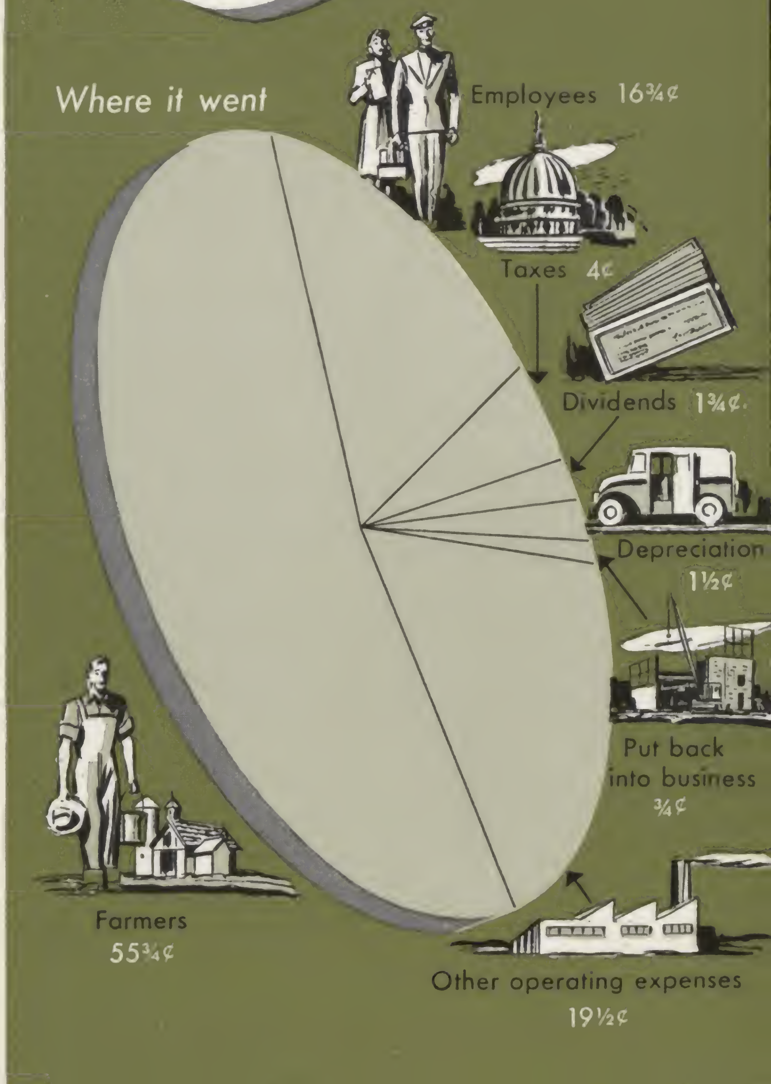
From an economic standpoint, profits have an urgent importance in sparking industrial progress. Quite apart from the fact that institutions and individuals rely upon them for dividends, profits are needed to finance replacements and modernization of plants and equipment to enable a company to operate efficiently. A tax-crippled or profit-restricted business community cannot properly serve an expanding country that aspires to an ever-improving standard of living.

Sales Reaching their highest point, sales of the Company and its consolidated subsidiaries amounted to $732,056,671. This was a 16% gain over 1950 sales of $631,114,120. The increase reflects the higher prices of the year and, to a lesser extent, a gain in the Company's overall sales volume.

Sales of industrial and some manufactured items suffered during the last half in comparison with the corresponding period a year earlier. Late in 1950, both manufacturers and merchants

The Borden Sales Dollar





bought heavily for their stocks; consequently, their 1951 inventories were high and this fact, combined with uncertainty about price trends, retarded sales of these items.

Profits Our net income was $18,080,371, a decline of 10% from 1950's $20,147,073. The drop in income can be fully accounted for by the higher 1951 federal taxes on corporate income, which exceeded those of 1950 by about $3,300,000. On a per share basis we earned $4.20, as compared with $4.69 in 1950.

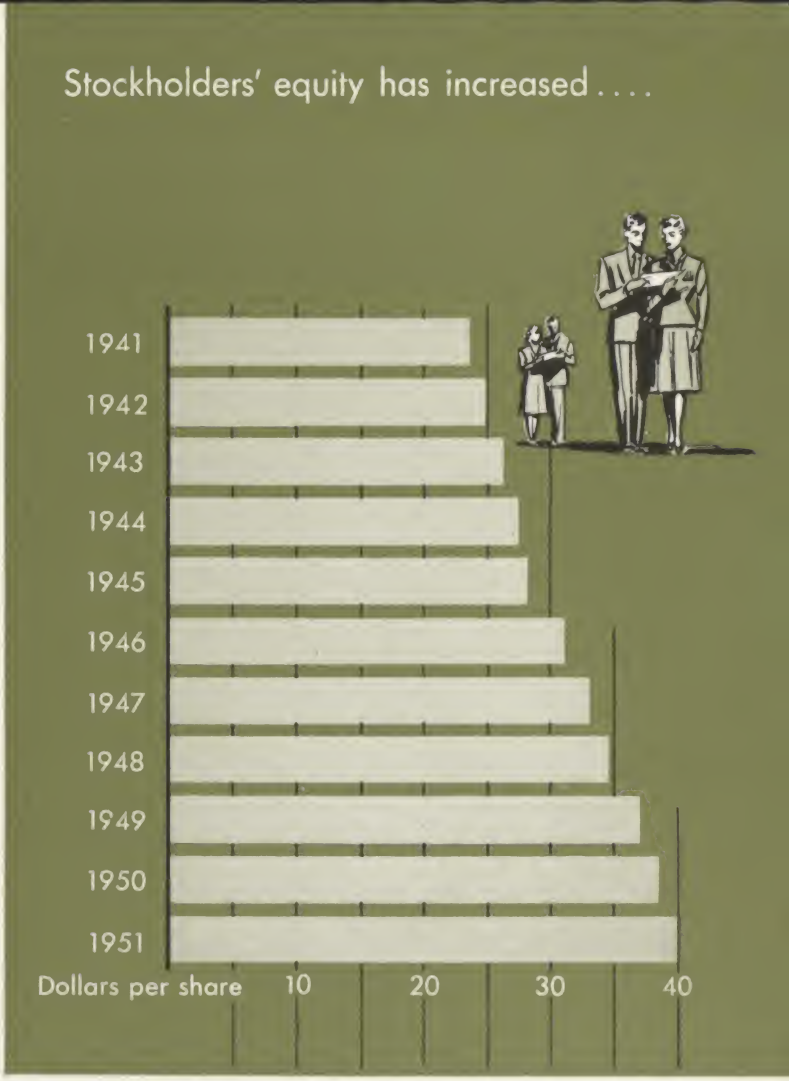
Our rate of profit was 2.47 cents per dollar of sales, as compared with 3.19 cents in 1950 and our 20-year average of 2.97 cents. It was the lowest rate of profit since 1944, when the return on sales was only 2.43 cents.

There was an improvement in the earnings of our group of unconsolidated foreign and domestic subsidiaries. Our equity in their net income was about $1,850,000, as compared with $1,350,000 in 1950. Inasmuch as they rely on their earnings for development, these subsidiaries paid us dividends of only $44,000, which is included in our net income. In 1950, we received $200,000 from this source. The lack of U. S. dollar credits abroad continued to hamper our business in some foreign markets.

Taxes Federal and Dominion of Canada income taxes amounted to $19,128,541, an increase of 22% over 1950's $15,731,165. Only twice before — in the war years of 1944 and 1945 — were our federal income taxes higher.

Dividends Dividends totaled $2.80 per share, the same as in 1950. Dividend payments aggregated $12,036,366 and marked the Company's 53rd year of uninterrupted payments to Borden stockholders.

Inventories Year-end inventories were by far the highest in our history. They amounted to $73,742,837, an increase of 34% over 1950, when prices were lower and inventories depleted by the heavy buying set off by the action in Korea. The Company values certain of its principal products and supplies on a last-in, first-out accounting basis. Inventory values at the end of 1951 would have been approximately $10,500,000 higher if the Company had valued



those items on the more customary first-in, first-out basis.

Working Capital With current assets of $155,123,277 and current liabilities of $40,136,066, we had a balance of $114,987,211 as working capital. The ratio of these assets to liabilities was 3.86 to 1. Reflecting both growth of the business and conditions of the times, our working capital was 8% above the 1949 figures, which was our previous high point. Added to working capital during the year was about $12,800,000, the amount remaining from the sale of our $60,000,000 issue of 30-year 2⅞% debentures after deducting expenses of that issue and retiring all of our prior long-term notes.

Incidentally, the prompt purchase of these debentures from the underwriters was a gratifying indication of the high rating given to the Company's securities by investors.

Elsie the Cow and son Beauregard enjoy Canadian view of Niagara Falls after 1951 tour embracing 17 U. S. cities, where they were seen by more than two million people.

Capital Expenditures We spent about $16,300,000 replacing or adding to our plants and equipment. For these purposes we needed funds greater than those provided by our depreciation accruals. While these accruals reflect to some extent the higher costs of replacement made during recent years, they are still based in large measure upon values of a pre-inflationary period. Consequently, for additional funds we must rely on earnings.

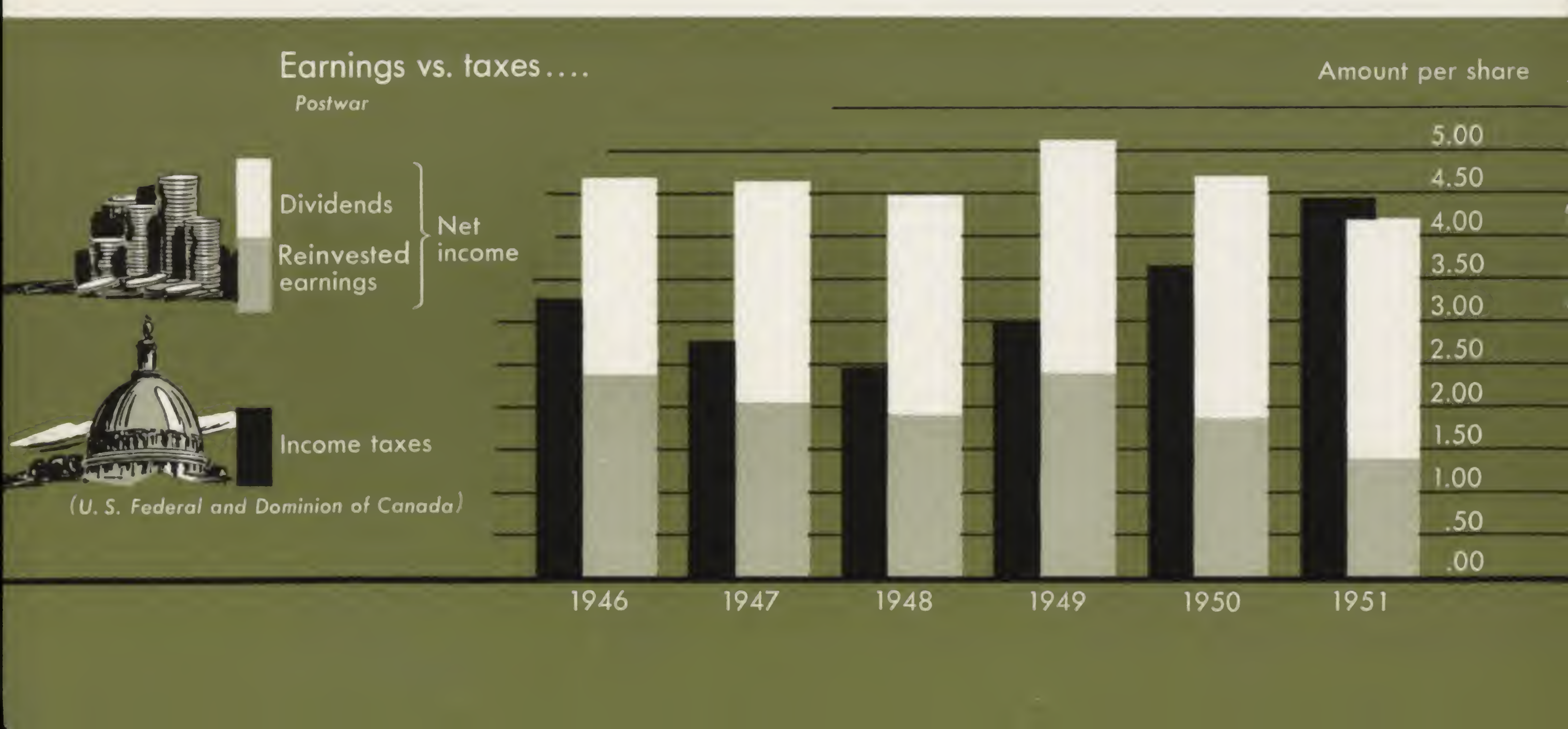
The Board of Directors has authorized approximately $14,750,000 for capital expenditures during 1952. Also, some $2,800,000 of unexpended 1951 authorizations will be carried over. Depreciation accruals in 1952 will again fall far short of the total amount of these authorized expenditures.

Plants and Properties Principal new plants started or completed include the following: the Chemical Division's resorcinol plant at Dominguez, California, formaldehyde and resin plant at Demopolis, Alabama, and laboratory at Philadelphia, Pennsylvania; and the Ice Cream Division's distributing branch at Hempstead, New York. In addition, facilities for manufacturing our instant coffee and STARLAC were enlarged by the Food Products Division, and extensive equipment additions were installed by the Cheese Division at Green Bay, Wisconsin and Los Angeles, California.

Canada Taking the year as a whole, business and industrial activity in the Dominion was generally good. THE BORDEN COMPANY, LIMITED, faced many problems similar to those confronting us in the United States. Profits were only 1.4 cents per dollar of sales, as compared with 2.0 cents in 1950.

Sales of milk and ice cream rose, both volume and price accounting for the increase. But costs, in many cases, moved ahead faster than prices, and a 31% increase in the Dominion income tax on corporations brought our profits below those of 1950. In our Manufacturing Division, a lower volume, resulting chiefly from world conditions that reduced our exports, was another unfavorable factor.

Our capital expenditures budget for Canada in 1952 is $1,177,000, as compared with 1951 expenditures of about $800,000.



Company Ownership At the close of the year the ownership of the Company was shared by 51,479 stockholders, as compared with 51,121 a year earlier. The average holding was 84 shares. As in many years past, no individual owned as much as 1% of the Company's stock. Our stockholder list does not show the full extent of Company ownership. Our roster of stockholders would be increased by several thousand if all those represented by brokers' or trust accounts were listed on our records.

There were 4,300,000 shares of stock outstanding on December 31, the same as a year earlier.

Litigation The Company continued to cooperate with the Department of Justice in the study of the dairy industry which began in 1950. Last fall the Department of Justice decided not to pursue the study further and, accordingly, it was discontinued.

During the year the Company was involved in several legal actions other than those arising in the usual course of business. Certain of the cases were dismissed or settled while others in which the Company is a defendant are still pending in federal and state courts. We are vigorously defending our position in all of these matters.

Employees The number of employees who have been serving the Company 25 years or more again increased. Membership in Borden's Quarter Century Club rose to 5,095, equal to one out of six employees. Joining the Club this year were 583 men and women. Special honors were paid to 46 employees who have completed 40 years with the Company, and one employee who rounded out a half-century of service. Of the total Quarter Century Club membership, 4,727 have been on the job 25 years or more, 341 have over 40 years of service, and 27 are in the 50-year group.

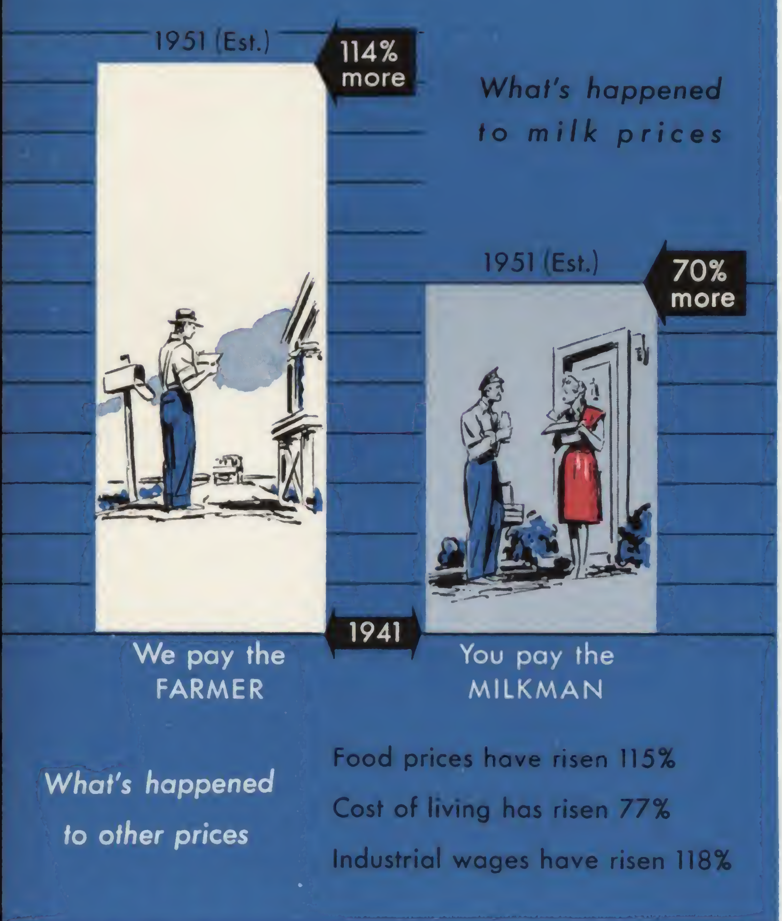
Voluntary contributory Group Insurance programs continued in effect and total benefit payments of $914,053 were made during the insurance year. Of this amount, $558,155 was paid for 202 death claims under the Group Life Insurance Plan, and $355,898 was paid to 1,746 claimants participating in the Group Accident and Health and Accidental Death and Dismemberment Plans. Included were 12 accidental death claims amounting to $43,200.

While our accident frequency rate compared favorably with those of the three previous years, there were more serious mishaps during the year. Greater highway speeds of all traffic were largely accountable for these accidents, and higher awards for injuries, death and property damage made the year a costly one. Our Safety Programs, which are administered at the local level, are being strengthened. Greater emphasis than ever before is being placed on educational programs and the strict observance of safe practices.

Here's first look at new national truck design now being tested. Conversion of some 9,000 trucks may take three years. Result will be better *Borden* recognition everywhere.

Quarter Century Club members Thomas Falcone, Ernest Boehm and John Strasser (l. to r.) join President Montague in looking over some of the *Borden* Annual Reports they have worked on.

Inflation and change



Sources: U. S. Dept. of Agriculture; U. S. Dept. of Labor

Advertising Vigorous product promotion marked our advertising and will be given further emphasis in 1952. BORDEN'S and Elsie are now so firmly established with the public that only a small part of our advertising efforts is devoted to the Company name and trade-mark.

Our campaign to promote the BORDEN name and the inter-relationship of our products will not, however, be abandoned. In fact, 1952 plans will strengthen this effort: "Elsie's Good Food Line," a novel idea lending itself to both advertising and merchandising, will be introduced; a new standard Elsie design, applied to our fleet of nearly 9,000 trucks, will convert them into "traveling billboards"; and the same design will be used on many of our packages.

Elsie continued to be our star saleswoman. Traveling nearly 15,000 miles, she visited 18 cities during a 115-day tour, and was seen by about 1,300,000 visitors to her "boudoir," plus uncounted thousands more who watched her on parade.

All principal media were used in our advertising programs. Continuing analysis of our "network" of 142 local radio and television campaigns insured greater effectiveness and economy. Concentrating these campaigns in areas of our greatest sales potential, we improved the returns on our advertising dollar.

In Conclusion The year took a heavy toll of principal executives and associates whose service and counsel will be greatly missed by our management group.

Beverley R. Robinson, a Director of the Company for 24 years and a member of Milbank, Tweed, Hope & Hadley, our General Counsel, died September 21st.

Walter T. Fitzpatrick, Assistant Vice President, who had been associated with the Company for 20 years, died in his office on November 28th.

Theodore D. Waibel, a BORDEN employee for 36 years and Secretary of the Company since 1944, died on September 16th after a long illness.

Three new officers were elected. Douglas T. Orton, Assistant Secretary since 1943, was elected Secretary on September 25th. Louis Csenge and Kenneth J. Neagle became Assistant Secretaries on September 6th.

I sincerely thank all of the BORDEN people whose loyal efforts contributed to the Company's operation during the year.

* * *

More detailed information about each of our principal operating divisions is contained in the pages that follow, as well as the Company's financial statements and the certificate of the independent auditors which appear on pages 24 to 28. This Report is submitted by the order of the Board of Directors.

Theodore G. Montague

PRESIDENT

Borden's Ice Cream is sold in 32 States and two Canadian provinces. During 1951, sales increased for the second successive year.

A noticeable new trend is the rising number of food stores, particularly supermarkets, that are handling packaged ice cream and novelties.

To improve our merchandising, we redesigned our standard ice cream packages during the year, providing attractive, uniform containers.

ICE CREAM

OUR ICE CREAM sales were up for the second successive year. The rise in gallonage was encouraging as was the prediction of the Government's food economists that consumption is expected to improve further in 1952. Even at its lowest post-war level, consumption was about double the average of the five pre-war years.

Profits of our Ice Cream Division declined, however, from 1950. Higher federal income taxes were responsible for the lower earnings. Cost control, more difficult than ever because of inflation, was the chief problem plaguing the Division's management. Plant costs were well in hand because of improved equipment and techniques. On the other hand, distribution costs mounted. Efforts to control delivery costs included introduction of new loading methods and improved equipment.

A noticeable new trend was the increase in the number of food stores, particularly supermarkets, handling ice cream. Involved in this change was the expanding use of self-service cabinets. To meet this situation, and also to improve our merchandising generally, we redesigned our line of standard ice cream packages, providing more attractive, uniform containers.

There was a marked improvement in the sales of our packaged ice cream. Consumer acceptance of the BORDEN brand and recognition of BORDEN quality helped to bring about the higher demand. The good acceptance of our ELSIE pints was an indication of this trend. The new containers and the increase in the number of food store outlets were also factors.

Home consumption of ice cream appears to be increasing. The trend here has probably been encouraged by the widespread introduction of half-gallon packages. LADY BORDEN ICE CREAM appeared for the first time in this larger package, and again demonstrated its sales appeal and unparalleled prestige among consumers. Through the use of the larger container we hope to increase the sales of this premium product even more.

CHEESE

Americans enjoyed a hearty cheese appetite during the year. Per person consumption averaged out to 7.2 pounds, nearly double that of 30 years ago and the second highest level on record. Our dollar sales rose above 1950 and our profits increased.

Sales of some products increased while those of others declined. Competition in bulk cheese, most of which is unlabeled, and loaf cheese was severe and our volume in both items dropped below that of the previous year. But this loss was partly offset by gains in many Borden brand specialties, which we vigorously promote as a means of improving both our present and future consumer markets.

There was plenty of cheese although production moved at a rate slightly below that of 1950 during the first seven months — the period during which most cheese is produced. The lower rate of production and expectations of heavy purchases for foreign use kept prices above the usual seasonal level. As a result of higher prices and better producing conditions, the rate of production improved during the latter part of the year, which closed with cheese stocks above those of a year earlier.

We expanded our product list. We introduced a sliced processed cheese, added several new items to our line of processed cheeses, and widened the market for Borden's Enriched Biscuits, which were introduced in 1950. We were successful in packaging natural cheese, and marketed several varieties in packages of a new type.

Our Pacific Cheese Division surmounted the difficulties that go with a new enterprise and closed the year with a profit. Several new products were added to its line. Its Los Angeles plant was equipped to produce and market a new salad dressing and mayonnaise for household use. Previously, similar products had been sold to the institutional trade on a limited basis.

Pasteurized process cheese, conveniently packed in slices, joined our line of packaged cheeses, cheese specialties and process cheese foods.

Americans enjoyed a hearty cheese appetite during the year with average consumption of 7.2 pounds, nearly double that of 30 years ago.

The Cheese Division expanded its product list, introduced new packaged natural cheese and made gains in sales of *Borden* brand specialties.

FOOD PRODUCTS

DOLLAR SALES of this Division, formerly known as the Manufactured Products Division, rose sharply, and there was little increase in tonnage of products sold. Profits were less than 1950 because of higher taxes.

Among the Division's grocery products, the best progress was shown by two relatively new items. Our instant coffee sales increased greatly; we improved our competitive position, and soluble coffees increased their share of total coffee consumption. STARLAC, our non-fat dry milk, made a substantial sales improvement. Contributing to its success are its economy, its suitability to modern diets, and the fact that it is now advertised and sold on a national basis.

Some older products did not do so well. Condensed milk sales were at levels considerably below their wartime peak. Evaporated milk sales declined but we apparently fared about as well as other manufacturers. Government reports showed national per person consumption of evaporated milk about 7% above the pre-war average, but down 13% from the peak year of 1948. At one time in 1951 stocks of this product were the third highest on record but they dropped sharply toward the end of the year.

Sales of our bulk dry milk, which is widely used in the food industry, showed a good increase, but margins were too narrow to permit a satisfactory profit.

Our export business was affected by world conditions. Dollar shortages and restrictions on imports were unsettling factors in many countries. Dairy production in most countries has improved considerably. Production costs elsewhere are lower than in the U. S. and Canada, and competition for the world milk market is stronger than at any time since before World War II.

Sales of our manufactured food products increased. We sold more bulk dry milks to the food processing industries.

Good progress was made by *Borden's Instant Coffee* and *Starlac* non-fat dry milk. Both are relatively new products.

Klim whole milk powder continued to be our major export product. Increased foreign production stirred competition.

Sales of this Division reached an all-time high. Soy processing results were good and sales of some specialty foods improved.

Bremil, new infant feeding product resembling breast milk, was accepted by Council on Foods and Nutrition of AMA.

A new biochemical laboratory at Yonkers, N. Y., conducts research in the biochemistry of protein and amino acids.

SPECIAL PRODUCTS

SALES of this Division reached an all-time high. Product margins suffered, however, and profits were below 1950.

A substantial contribution to profit came from the Soy Processing Department, which was favored by conditions prevailing early in the year. Later, however, a decline in bean prices was accompanied by a much sharper drop in the price of soy oil. Processors were squeezed between high bean prices and relatively low prices commanded by the oil and meal made from the beans. By the time the new crop came in, the price relationship had so deteriorated that processing could not produce a satisfactory profit.

There was a decrease in the dollar sales and tonnage of our Animal Foods Department, but a sales upturn in the last four months of the year indicated a more promising future. Adhering to our principle that a proper balance of nutriments must be the basis of a sound feeding supplement, we added antibiotics where their value in our products had been established.

The sales of our Prescription Products Department improved considerably. An important factor here was the acceptance of BREMIL, our new infant feeding product, by the Council on Foods and Nutrition of the American Medical Association. While introduction of a new item of this kind is a slow and costly process, BREMIL was given an unusually good reception by physicians and sales forged ahead at a good rate. MULL-SOY, our modified soy milk, reached a new sales peak.

The Division's research activities were reorganized and strengthened to carry on an enlarged program. Consequently, its 1952 research budget was increased severalfold.

Sales of plastics, adhesives and other products for industry were well ahead of 1950. Sales of our packaged household glues improved.

Two new production plants and a plastics research laboratory will boost Chemical Division activity as they are completed in 1952.

Easing of supplies of polyvinyl resins made it possible to introduce *Elmer's Glue-All* for use as an all-purpose household adhesive.

CHEMICALS

SALES rose well above the banner year of 1950. Demand for our products, which had been given a sharp impetus by the fighting in Korea, continued strong for the first six months, then tapered off. The lower profits were further depressed by the higher federal tax rates of 1951.

Many factors account for the less favorable showing. The principal ones are:

Shortages of many important materials hampered sales during the early months of the year;

By the time these shortages were relieved, demand for some of our products had slackened because of conditions in industries that we serve—such as housing, furniture and T-V sets;

The shrinking market intensified price competition, narrowing our margins considerably — our West Coast business, for example, was good until plywood prices slumped and a price war broke out among suppliers of glues for this important market;

Prices of glues, molding powders and other items had lagged behind the general upward trend of prices, and many margins were too narrow when price controls were established — consequently, increases in raw material costs had to be absorbed, and price ceilings were not raised sufficiently to restore satisfactory margins.

Construction of two new plants was started, promising efficient, low-cost production and enlarged volume of several products. Under a permit from the National Production Authority we are building the West's first resorcin plant at Dominguez, California, convenient to raw material sources. Work is also under way on a new formaldehyde and liquid urea resin plant at Demopolis, Alabama, where we shall have the advantage of low cost water transportation for our materials.

In an effort to develop new specialty products enjoying better profit margins we expanded our research activities considerably. Work was started on a new laboratory at Philadelphia, Pennsylvania, where we shall concentrate research on new techniques and products in the plastics field.

TO MILLIONS OF AMERICANS the word BORDEN'S means milk. Nowhere in the world is a company name more closely associated with a food than BORDEN'S with its principal product. There are sound reasons for this. Since entering the fluid milk business 76 years ago, BORDEN'S has grown to be the world's largest distributor.

This business grew again in 1951. Both dollar sales and volume of the Company's Fluid Milk Division increased. The improvement, percentage-wise, was greater than the increase in national consumption — a healthy sign. The Division's profits changed little from those of 1950, but the profit per unit or dollar of goods sold was lower.

The Division competes with some 15,000 milk dealers in the United States. The fluid milk industry handles about 45% of the milk going from farm to market, the balance being sold for the manufacture of dairy products. Government estimates on production indicate that the Division handles between 6 and 7% of the country's fluid—or bottled—milk sales. On the same basis, the Division's sales are about 3% of the total milk sold by American farmers for all purposes.

Although BORDEN'S is nationally known as a milk distributor, fluid milk cannot be distributed on a national basis as are automobiles, clothing and many food products. The procurement, processing and distribution of fluid milk is—and must be—a local business. Each city is a market in itself, having its own milkshed, or

A'S No. 1 MILKMAN

producing area, with a unique pattern of economic factors, health regulations, consumer customs, and competition. Conditions of one city are not fully duplicated anywhere else.

To accommodate these varying conditions, the operations of BORDEN's Fluid Milk Division are decentralized to a degree unusual in large companies. The Division is divided into eight districts which are organized along geographical lines. Each district management is responsible for operations in its area. It is staffed with seasoned executives and specialists who assist and guide local management.

But each local management is responsible for the successful conduct of its business. Most problems are handled, most decisions made, at a local level. Aside from a general policy calling for fair dealing with farmers, employees and customers—the public relations worthy of a great national company—the prerogatives of management are delegated through regional to local executives. So, BORDEN's fluid milk operations, although under one ownership, are in effect, a federation of milk businesses, some large, some small, but all operated as local units.

This flexibility has proved both practical and necessary in serving BORDEN's wide operating area. There are 95 plants with scores of distributing stations serving hundreds of communities, including about one-third of the cities having populations of 100,000 or more.

Starting with New York Metropolitan district, oldest and largest of the units, BORDEN's also serves northern New Jersey, Connecticut and upstate New York, then the Canadian provinces of Quebec and Ontario. BORDEN business is well represented in the Middle West. There are no branches in the thinly populated Rocky Mountain States but BORDEN's serves northern California cities. An important factor in the Southwest, Gulf area and Florida, the Company recently expanded into several Georgia communities.

While BORDEN's earliest operations were in the big markets of New York and Chicago, subsequent growth was in the smaller cities. This trend, more pronounced in recent years, is a sound one. The Company's risks are diversified, being aided in this respect by the local character of the milk industry. A flood in Kansas City, a price war in New York, an auto layoff in Detroit—any of these may hurt business locally—but while BORDEN branches in these cities suffer temporarily, other units are doing business as usual.

The usual business is complex. It starts with

Twice each day dairy farmers gather fresh, sweet milk from millions of cows.

Brought to receiving stations or local processing plants, the milk is weighed and tested.

Tank trucks, railroad cars must transport milk hundreds of miles to the big cities every day.

Competing with some 15,000 fluid milk dealers in the U. S. *Borden's* has grown to be the world's largest milk distributor.

In the milk business cost control is so important that costs are figured down to about 1/100 of a cent per unit handled.

the procurement of milk from some 19,000 farmers, and the daily transportation of this milk to city plants. A force of fieldmen works with the farmers to make certain that the milk meets BORDEN quality requirements, as well as local health department standards. The production of milk follows seasonal trends and varies from day to day, but the consumer demand remains relatively steady. Consequently, milk over and above that needed for bottling must be diverted to other products. Some areas suffer from seasonal milk shortages. In these cases, the flexibility of the BORDEN organization enables it to ship milk in from other areas.

The methods of arriving at the price the farmer gets for his milk are necessarily complicated. They are understood by few people outside the industry. Yet the farm price is the most important single element determining what consumers will be charged. Historically, this price was determined by collective bargaining between farmers and dealers and the relationship of supply to demand. These factors and the bargaining procedure are still important but the Federal Government, and some States, play the dominant role in establishing prices. For example, the Government sets the farm price of about 75% of the fluid milk that is handled by BORDEN'S and various Government policies indirectly affect the price of the remainder.

In the processing and distribution of milk, cost control is so important that costs are figured in terms of 1/100 of a cent per unit handled. In 1951, for example, BORDEN production men had as their target a reduction of 10/100 of a cent per unit in processing costs. The greater volume of business would normally have helped them toward this goal. Despite their best efforts, however, labor and other costs rose to such an extent that processing costs actually advanced.

To offset higher wages, milk prices must go up or the productivity of each employee must increase. Engineering skill and new equipment

Every milk shipment is carefully tested for freshness and quality before processing.

The latest pasteurizing techniques are used to prevent danger from bacteria.

Use of homogenizers to distribute cream evenly through the milk is increasing.

Prices of about 75% of the fluid milk bought by *Borden's* are set by the Government. Balance is affected by other federal policies.

Dealing with some 19,000 dairy farmers, this Division handles about 3% of the milk sold by American farmers for all purposes.

have helped processing employees in turning out more units per man hour. It has not been possible, however, to match this progress in the delivery of milk, a service function depending more on manpower than equipment. Decreasing the frequency of delivery is the most effective way of cutting distribution costs, and by the end of 1951 about half of BORDEN'S units were making home deliveries only three times weekly instead of on alternate days.

Virtually all milk was delivered to homes in the early days of BORDEN'S history. But rising wage costs brought higher milk prices and changed the character of the business. The number of retail milk routes declined as consumers turned more and more to stores to buy at lower prices, and retail sales were a third of BORDEN'S total fluid milk business in 1951. Losses in retail sales have, however, been more than offset by gains in sales through stores.

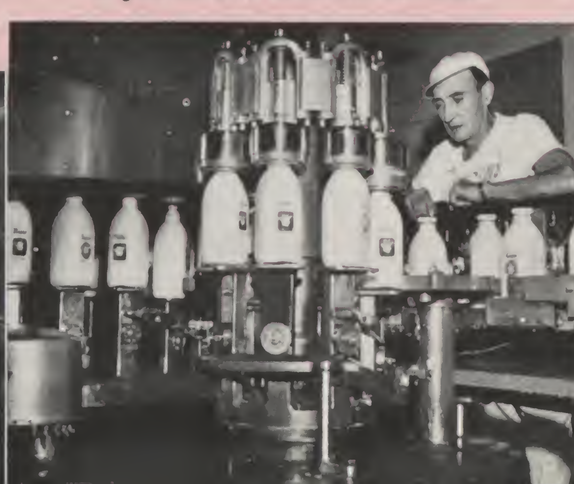
Recent years have seen two other interesting trends in the Division's sales. Fortified and other premium milks have steadily increased in consumer favor until they account for the greater part of fluid milk sales. Other products —cottage cheese, chocolate and skim milk, buttermilk, orange drink—showed an important sales gain in 1951. Cream was the only product suffering a slight sales decline, while the best progress was made by skim milk — a reflection of the growing interest in low-fat diets.

All of these specialty products were important in giving the additional volume to help lower costs and maintain profits. Without products of this kind, it would be impossible to provide standard milk at present prices since the average profit per unit of all products sold by the Division was less than half a cent in 1951.

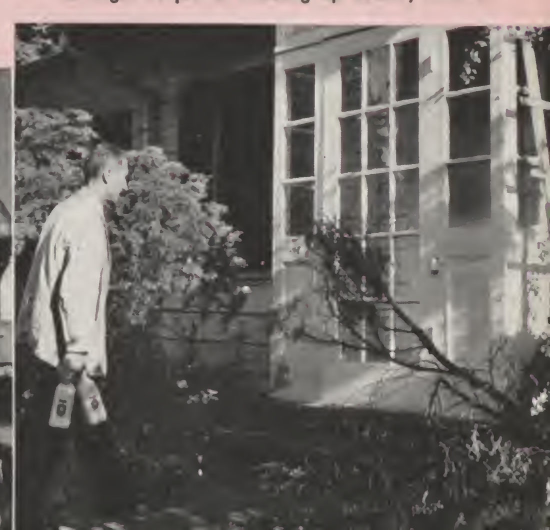
In 1951, more than one million homes in the United States and Canada were served directly by BORDEN routes. There were several million more indirect customers who patronized stores and restaurants handling BORDEN products. Quite a job for the World's No. 1 Milkman!

Sanitary standards are high, and pipes are taken down, cleaned after every run.

Sweet, fresh milk is mechanically packaged in glass bottles or cartons and then chilled.



Milk arrives promptly at your door or food store to begin its job of building up healthy bodies.



WIDOW Mary Ellen Glass of Houston, Texas. About 17% of people who buy *Borden* stock depend solely on investments for income.

HOME MAKER Rollin R. Hunter of Bellaire, Texas. Women predominate as individual *Borden* share owners — about 55% in a study of people who have recently bought stock in the Company.

HOUSEWIFE Mrs. Mildred A. Rosenthal, Baton Rouge, La. Same study shows that about 24% of *Borden's* new individual stockholders give their occupation as "housewife."

SECRETARY Elizabeth B. Coleman of New Orleans, La. The analysis indicates that about 6% of *Borden's* owners are office and clerical workers.

that taxes are hitting me very hard

Look what's happening to the country

here's an idea for profitable item

NOT SO LONG AGO, a Chicago man noted that his youngsters preferred to buy soda pop instead of milk drinks, and it disturbed him. A lady in Atlanta was delighted to learn that the Company was broadening its markets in nearby communities, and she wondered why we didn't concentrate on her home city, too. An orchardist in Coral Gables brought in a bumper mango crop and decided his fruit might make a tasty new ice cream. And a consumer in Columbus found a damaged milk container in her market basket, which naturally annoyed her.

Each was a BORDEN stockholder and, like hundreds of other Company owners who have ideas and comments which they think should interest the management, they took pen in hand and wrote a note to BORDEN's President Montague. And in each case, they received a quick response and in two of these instances local BORDEN people visited the stockholders to talk things over.

Every day in the year, members of BORDEN's stockholder family find occasion to express their views on any one of a host of topics, make suggestions, and sometimes complain about things.

Some become regular correspondents, but most folks write only when they feel they have something important that needs attention. In any case all their letters are read carefully and with interest, and none is ignored. Complaints are swiftly called to the attention of divisional executives and local operating officials, and suggestions are studied carefully by sales people, research men and, sometimes, our lawyers.

Many interesting ideas that come from stockholders would be fine for small concerns, but do not promise enough sales volume to justify the time and effort of a large company. Other ideas are not new and have been tested before and

Dear Mr. Montague -

read your informative article

wanted to write and tell you

we're on a cruise

send three extra copies of your stock

CO-OWNER School Principal William C. Gill of Baton Rouge. Shares stock ownership with wife, Addie. Joint tenancies have risen in recent years.

EDUCATOR (left) Dean of Agriculture Charles N. Shepardson, Texas A. & M. About 16% of new owners are professional people, such as teachers, dentists, scientists, engineers, authors, artists, doctors and lawyers. Another 1% are students.

EMPLOYEE K. Harold Brown of New Orleans, La. Over 2% of our new stockholders indicate that they are also employees of the Company.

found wanting. And some ideas are unusual but not very practical. But, in any case, all such suggestions are enthusiastically received and considered because new ideas are important to any growing business.

Out on Long Island, recently, the husband of a BORDEN stockholder found himself involved in a problem and facing a stone wall.

"Have told her," he wrote in part, "that now she is a stockholder and she should buy your products every day, but you can't argue with a woman. Your man who serves this neighborhood should stop in and see her personally. He should tell her that as she now owns BORDEN stock she should give you our business, which is quite large at times. A little diplomacy, I think, would get it and have more weight than *my* arguments."

Not all suggestions and comments are concerned with products. For instance, a man in northern New York thought we ought to merge with our largest competitor to streamline the dairy industry. Other stockholders choose to discuss national issues and demand that the Company use its funds and talents to halt inflation, slow down rising taxation and change the elected residents of various executive mansions.

The most crushing letters of all come from those *stockholders* who mention a competitor's product and berate *us* for selling "such inferior stuff!" And the most heart-warming letters come from those who feel they are really a part of the BORDEN family, remember us on holidays and special occasions with little notes of good cheer.

When someone commented to Mr. Montague on the task of answering hundreds of letters, notes and postcards which were sent to him last year, he said:

"BORDEN'S stockholders have always given me their ideas and opinions, and I hope they always will."

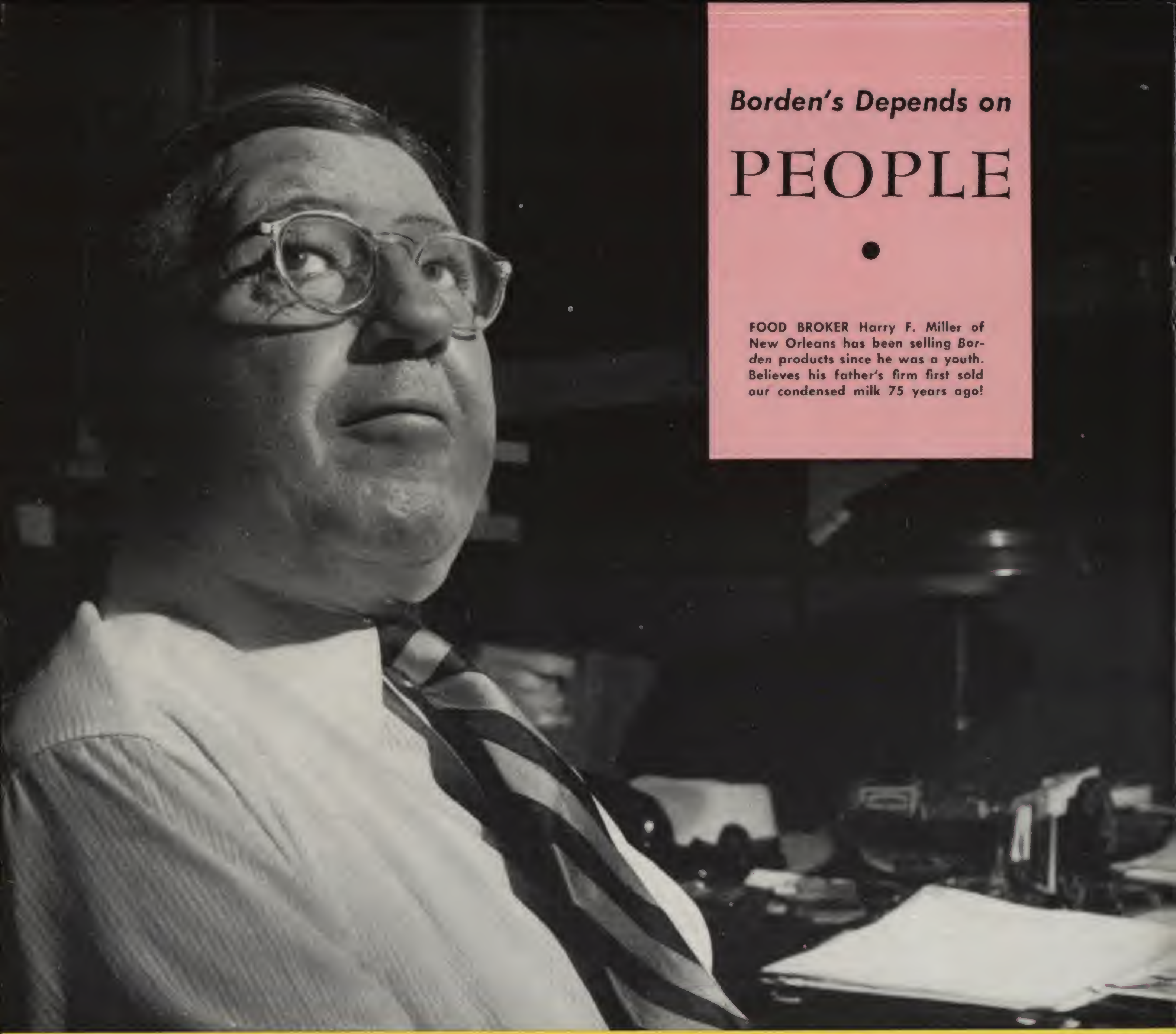
PUBLISHER Charles P. Manship, Jr. of Baton Rouge, La. About 10% of the Company's stockholders say they are managers and executives of businesses.

RANCHER Ambrose J. Smith, a retired *Bordenite* of Dewalt, Texas. About 13% of *Borden's* owners are retired people and another 1% are farmers.

have been getting checks for over 30 years

Borden's Depends on

PEOPLE



FOOD BROKER Harry F. Miller of New Orleans has been selling *Borden* products since he was a youth. Believes his father's firm first sold our condensed milk 75 years ago!

America is a closer knit national community today than ever before in history. The steady flow of ideas over TV and radio, by newspapers, magazines and movies, is matched by an unprecedented flow of goods. Railways, highways, airways—all remove the barriers of geography so that no crossroads town is denied the comforts that make up our enviable way of living. As our nation grew, large companies grew with it supplying needed goods and services. As a result, every American today depends, in some way, upon national companies such as *Borden's*.

There is a continuous exchange because corporations must in turn depend upon people. A man needs a job. *Borden's* needs a job done. So, a service is exchanged for a paycheck. A farmer must market the milk from his herd, and *Borden's* must have milk for its products. A man who saves must find a place for his savings, and *Borden's* must have capital to provide the plants and equipment that keep the business going. Finally, the Company and all of the people who rely upon it prosper when Americans live well and millions of them turn to *Borden's* as their supplier.

This *interdependence* has made Americans a cooperative people and built the country's greatness. Obviously, other companies work much as we do in providing such necessities as jobs, markets, investments and products. Our responsibility is to meet this competition by doing these things so well that we continue to sell more food under the *Borden* name than is sold under any other brand name in the world—more than two billion packages in 1951.

DRUGGIST Elmo Robb of Baton Rouge, La. is depended upon by his customers. In turn, he relies on us.

AUTHOR Louis Bromfield is farm leader and dairyman, too. His famous Malabar Farm ships us 1,400 lbs. of milk a day.

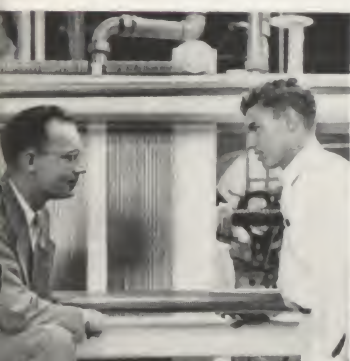
DIETITIAN Vada Weaver of Northwestern U. feeds growing young men — uses *Borden* foods.

PROFESSOR A. J. Gelpi, teaches dairy course at Louisiana State University, runs cream tests for *Borden*.

Courtesy Saturday Evening Post

SCHOOLGIRLS at Annunciation School, New Orleans drink milk for strong bones, healthy bodies. Many institutional customers depend on *Borden's* and its products to meet specialized dining room requirements.

EXPLORERS Jim Maxwell, Dave Harrah and Charles Crush took our *Klim* whole milk powder with them on risky climb to summit of Andes' Yerupaja. In countries where fresh milk is scarce people rely on *Klim*.



SUPPLIER Maurice J. Picheloup of New Orleans, sells machines to *Borden's* and gives service, too.

EMPLOYEE William R. Rowland of Ottawa, Ontario found job security at *Borden's*. Retired now, he runs a bee farm.

HOST Karl A. Ratzsch of Milwaukee, runs famous eating place, depends on *Borden's* products.

SUPPLIER Marion T. Fannaly of Ponchatoula, La. freezes fresh strawberries. *Borden's* is steady buyer.

1846—Nancy Johnson invents hand-cranked freezer

A CENTURY MELLOWS AN AMERICAN FAVORITE

When Jacob Fussell of Baltimore began producing ice cream in quantity a century ago, he opened a new chapter in the history of a delicacy which up to then had been enjoyed only by connoisseurs rich enough to buy it, or by ordinary folks brawny enough to crank a home freezer.

Fussell's plant eliminated the need for the laborious freezing of ice cream at home and in small shops. His production methods cut the prevailing ice cream prices sharply and put his product within the reach of the average consumer. And he helped the dairy farmers by creating an outlet for surplus milk supplies.

Today, the ice cream industry continues to serve as a dairy balance wheel — having its greatest demand at a season of the year when milk supplies are most plentiful. An idea of the magnitude of the ice cream industry may be obtained from some recent figures. In 1950, it used the equivalent of 7,670,000,000 pounds of milk to produce 618,532,000 gallons of ice cream and other frozen dairy products. These had a retail value of more than $1,400,000,000. And ice cream is made and sold competitively by about 16,500 manufacturers ranging in size from small neighborhood ice cream shops to the large plants of the type operated by BORDEN'S.

In the century that has passed since Jacob Fussell began the first wholesale ice cream business, the industry has made tremendous progress in terms of more efficient production methods, refrigeration, improved quality, high sanitary standards and in the variety of products offered the consumer. And, most important of all, ice cream has ceased to be a novel dessert, for today it is one of America's basic foods — delicious and energy-producing, rich in essential proteins, minerals and vitamins.

The ice cream cone, sundaes, sodas, ice cream-on-a-stick, bricks and sherbets are but a few of the favorites that have become characteristic of America in the century past. And many of the famous names that have given impetus to progress in the ice cream industry down through the years — Fussell, Horton, Reid, Moores, Ross, Furnas, Huber, Barritt, Hendler and Sancken — all are respectfully inscribed on the pages of BORDEN'S history.

Most of these names continue as leading local brands of BORDEN-made ice cream, and the teachings and guidance of the industry pioneers who bore them, coupled with the advanced technology of the Company's men, today sustain BORDEN'S leadership among the makers of fine ice cream products.

1851—Jacob Fussell opens first ice cream plant

1870—James M. Horton converts to steam power

1951—*Borden's* Ice Cream —favored by millions

BORDEN'S REVIEW OF NUTRITION RESEARCH

Since 1941, our Company has been contributing to the general fund of knowledge about human nutrition by publishing an unusual periodical titled BORDEN'S REVIEW OF NUTRITION RESEARCH. Ten times each year the REVIEW is mailed free of charge to physicians, nutritionists, college professors, dietitians and government officials around the world. It has a circulation of 14,000 and the names on its mailing list represent interested and qualified technical people in all of the 48 states and in 57 foreign countries.

The REVIEW is a dignified and scholarly publication which presents sound, authoritative discussions of important subjects in the field of nutrition research. In general, the material presented is new enough to make the REVIEW of value to its readers as a source of up-to-date information, but not so new that the data are unproved and the findings unsubstantiated.

From the beginning, the REVIEW has been a completely non-commercial effort to serve the public interest by spreading knowledge about the science of nutrition. The Company's products are never promoted in the REVIEW and no attempt is made to tie in with sales campaigns or with any other endeavor to exploit it for immediate cash returns. However, BORDEN'S benefits from the REVIEW in a number of ways: It enhances the Company's prestige among an important group of professional people, it establishes BORDEN'S as an authoritative source of nutrition information and serves as a letter of introduction for BORDEN people whose business takes them into scientific circles.

The circulation of the REVIEW has been built largely on the requests of those who are on the mailing list. Few names are added because somebody in the Company feels they ought to be. People receive the REVIEW because *they* want it, and a recent study of 1,800 new subscriptions revealed that these voluntary requests included 421 physicians, 245 college faculty members, 160 dietitians, 109 university and hospital libraries, and 91 state and federal officials.

The fact that the REVIEW is commercially-sponsored in no way prevents it from filling a specific need in a vital field. Thoroughly researched and carefully written, the REVIEW enjoys high acceptance among professional people—a position which is protected by an advisory board of seven BORDEN scientists who give counsel and criticism on each manuscript.

In the course of eleven years, BORDEN'S REVIEW OF NUTRITION RESEARCH has added much to the Company's prestige. Its value to the field of nutrition science as well as to the Company makes it a worth while effort.

The Borden Company

CONSOLIDATED

ASSETS

			December 31 1951	December 31 1950
CURRENT ASSETS:				
Cash			$ 35,431,214	$ 37,397,426
United States Government Securities			4,882,150	9,279,250
Receivables (Less Reserves—1951, $3,547,122; 1950, $3,244,827)			41,067,076	36,875,871
Inventories (Note 2):	1951	1950		
Finished Goods	$46,311,002	$32,011,545		
Materials and Supplies	32,901,468	28,364,261		
Total (certain products at Income Tax Lifo basis adopted as of January 1, 1950)	$79,212,470	$60,375,806		
Less excess as of January 1, 1950 of tax Lifo basis over book Lifo basis previously adopted	5,469,633	5,469,633	73,742,837	54,906,173
Total Current Assets			$155,123,277	$138,458,720
INVESTMENTS AND OTHER ASSETS:				
Unconsolidated Subsidiaries (Foreign and Domestic)			$ 4,095,741	$ 4,095,741
United States and Canadian Government Securities on Deposit (Pursuant to Workmen's Compensation Laws, etc.)			845,430	846,946
Mortgages, Receivables, etc. (Note 4)			5,805,206	5,899,351
Total			$ 10,746,377	$ 10,842,038
Less Reserves			1,015,024	1,085,761
Net Investments and Other Assets			$ 9,731,353	$ 9,756,277
PROPERTY AND EQUIPMENT			$208,894,814	$196,471,088
Less Reserves for Depreciation			93,006,980	86,900,462
Net Property and Equipment			$115,887,834	$109,570,626
DEFERRED CHARGES			$ 2,176,086	$ 1,238,387
TRADE-MARKS, PATENTS AND GOOD-WILL			$ 1	$ 1
TOTAL			$282,918,551	$259,024,011

See Page 27 for notes to financial statements.

AND CONSOLIDATED SUBSIDIARIES

BALANCE SHEET

LIABILITIES

	December 31 1951	December 31 1950
CURRENT LIABILITIES:		
Accounts Payable	$ 27,810,292	$ 26,459,818
(In 1950 including current maturities of Promissory Notes—$1,400,000)		
Accrued Accounts:		
Taxes (after deducting Treasury Savings Notes equal to provision for Federal Income Taxes—1951, $18,600,000; 1950, $15,300,000)	3,492,386	3,265,999
Other	8,833,388	7,377,798
Total Current Liabilities	$ 40,136,066	$ 37,103,615
THIRTY YEAR 2⅞% DEBENTURES DUE 1981 (Note 3)	$ 60,000,000	$ 44,400,000
(In 1950 Promissory Notes)		
RESERVES:		
Insurance Reserves	$ 6,993,806	$ 7,435,296
Other Reserves	3,771,319	3,815,788
Total Reserves	$ 10,765,125	$ 11,251,084
CAPITAL STOCK AND SURPLUS:		
Capital Stock—par value $15 per share—Authorized 8,000,000 shares; Issued 4,417,958 shares	$ 66,269,370	$ 66,269,370
Capital Surplus (Note 5)	$ 14,386,535	$ 14,380,667
Earned Surplus (Earnings retained for use in the business):		
Appropriated:		
For Contingencies	$ 2,000,000	$ 2,000,000
For Possible Inventory Price Declines	5,000,000	5,000,000
For Losses on Unusual Property Disposals	5,000,000	5,000,000
Total Appropriated	$ 12,000,000	$ 12,000,000
Unappropriated	$ 83,081,186	$ 77,326,831
Total	$175,737,091	$169,976,868
Less Treasury Stock—At Cost:		
117,958 shares in 1951 and 1950 (Note 4)	3,719,731	3,707,556
Capital Stock Outstanding (4,300,000 shares in 1951 and 1950) and Surplus	$172,017,360	$166,269,312
TOTAL	$282,918,551	$259,024,011

STATEMENT OF CONSOLIDATED NET INCOME

	Year Ended December 31	
	1951	1950
NET SALES	$732,056,671	$631,114,120
OTHER INCOME:		
Interest, Dividends and Royalties	1,000,310	1,039,579
Rentals, less expenses of properties rented or unessential to operations	240,355	268,059
Other	446,669	457,204
TOTAL	$733,744,005	$632,878,962
LESS:		
Cost of Goods Sold	$638,239,138	$547,746,231
Selling, General and Administrative Expenses and Other Charges	55,946,869	48,204,982
Interest Expense	2,349,086	1,049,511
Provision for Federal and Dominion Income Taxes	19,128,541	15,731,165
TOTAL	$715,663,634	$612,731,889
NET INCOME	$ 18,080,371	$ 20,147,073

STATEMENT OF CONSOLIDATED EARNED SURPLUS (*Unappropriated*)

EARNINGS RETAINED FOR USE IN THE BUSINESS

	Year Ended December 31	
	1951	1950
BALANCE AT BEGINNING OF YEAR	$ 77,326,831	$ 71,260,342
ADD:		
Net Income	18,080,371	20,147,073
TOTAL	$ 95,407,202	$ 91,407,415
DEDUCT:		
Dividends paid ($2.80 a share in 1951 and 1950)	$ 12,036,366	$ 12,019,910
Write-off of Good-will Purchased during the Year	289,650	2,060,674
TOTAL	$ 12,326,016	$ 14,080,584
BALANCE AT END OF YEAR	$ 83,081,186	$ 77,326,831

See Page 27 for notes to financial statements.

Notes to Financial Statements

(1) Basis of Consolidation:

The financial statements include all Canadian subsidiaries and all domestic subsidiaries except one whose operations are not integrated with those of the Company. The Company's equity (approximately $1,850,000 for 1951, and $1,350,000 for 1950) in the net income of unconsolidated foreign and domestic subsidiaries is included in the Statement of Consolidated Net Income only to the extent of dividends received (in 1951—$44,000; in 1950—$200,000). The Company's equity in the net tangible assets of these unconsolidated subsidiaries at December 31, 1951, as shown by their books, is in excess of its investments in the said subsidiaries by the amount of approximately $4,500,000.

In consolidating the accounts of Canadian subsidiaries, current assets and liabilities were converted at exchange rates prevailing at the close of each year; other net assets were included at parity of exchange; and net income was converted, generally, at exchange rates prevailing at the close of each month.

(2) Inventories:

In valuing inventories and in determining the cost of goods sold, average costs (reduced to market if lower) were used, except as to certain products for which the last-in, first-out (Lifo) method was used. For the years from 1939 to 1949, inclusive, the Lifo method was so used for accounting but not for income tax purposes. As of January 1, 1950, the Lifo method was adopted for income tax purposes for all of the products previously on the book Lifo basis plus certain other products. This necessitated restatement of inventory values as of December 31, 1949 on the Income Tax Lifo basis, resulting in Income Tax Lifo values which were $5,469,633 more than the book Lifo values previously adopted. In the Consolidated Balance Sheet this latter amount has been deducted from the inventories, including those on the Income Tax Lifo basis, and can be utilized, for accounting but not for income tax purposes, if market prices of products on the Income Tax Lifo basis decline below values as of January 1, 1950.

(3) Debentures:

The Company applied the net proceeds from the sale of $60,000,000 of its Thirty Year 2⅞% Debentures Due 1981 to the retirement of all the Company's 1¾% Promissory Notes and its 3% Promissory Note outstanding in the amounts of $30,800,000 and $15,000,000, respectively, and the remainder of the net proceeds was placed in the general funds of the Company. The Debentures become due March 1, 1981 and bear interest at the rate of 2⅞% per annum payable semi-annually on March 1 and September 1. The Company shall pay into a sinking fund a sum sufficient to redeem on March 1, 1953, and on each March 1 thereafter to and including March 1, 1980, $1,250,000 principal amount of Debentures with the option to increase any payment by an amount not exceeding $1,250,000. Discount and expense of this issue, approximately $803,000, are being amortized over the period during which the Debentures are outstanding.

(4) Stock Options:

Capital stock of the Company held in the treasury at December 31, 1951 includes 39,000 shares reserved under the Officers and Employees Stock Option Plan as approved by the stockholders. Of the shares so reserved, 11,500 shares relate to options at $36.25 a share granted on March 31, 1945 and expiring on March 30, 1955, and 27,500 shares relate to options at $45.75 a share granted on January 3, 1946 and expiring on January 2, 1956. The option price in each case was $1.00 more than the last sale on the New York Stock Exchange preceding the date of the issuance of said options. At December 31, 1951, balances receivable for stock purchased under the Plan aggregate $187,575 which amount is included with Mortgages, Receivables, etc.

(5) Capital Surplus:

During the year, $5,868 was credited to Capital Surplus representing proceeds from disposal of properties previously written off to this account.

(6) Depreciation:

Provision for depreciation charged to operations was $11,285,846 for 1951 and $10,366,594 for 1950.

(7) Contingencies:

The Company was guarantor of bank loans to foreign affiliated companies in amounts aggregating approximately $1,450,000 at December 31, 1951. See comment on page 7 of this Report for reference to litigation.

Accountants' Certificate

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

250 PARK AVENUE
NEW YORK 17

February 21, 1952.

THE BORDEN COMPANY:

We have examined the consolidated balance sheet of THE BORDEN COMPANY and Consolidated Subsidiaries as of December 31, 1951 and the related statements of consolidated net income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated net income and earned surplus present fairly the financial position of the companies at December 31, 1951 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Haskins & Sells

Here's proof! of a century of progress

Only a few years ago, the idea that one company could market a fine, creamy ice cream in many parts of the country, made according to a prescribed formula and rigid high standards of quality, seemed impractical, if not impossible, because of regional taste preferences.

Yet, in 1947, we accepted this challenging idea and introduced Lady Borden to ice cream lovers across the nation. Today, Lady Borden's success is assured and its excellent quality has become an objective for the ice cream industry. Available in vanilla, chocolate and strawberry, Lady Borden also comes in special flavors, and is now sold in Canada, too!

Special Flavors for 1952 include: Pistachio-Nut, Strawberry Macaroon, Black Raspberry, Chocolate Almond and Holiday Bisque Tortoni.

Printed in U.S.A.


BORDEN'S
1857